

**24TH DISTRICT COURT
FINANCIAL REPORT
JULY 1, 2007 TO JUNE 30, 2008**

24TH DISTRICT COURT
Financial Report
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July 1, 2007 to June 30, 2008

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Independent Auditors' Report

To the Honorable Judges
of the 24th District Court
Allen Park, Michigan 48101

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the 24th District Court as of and for the year ended June 30, 2008, which collectively comprise the Court's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 24th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

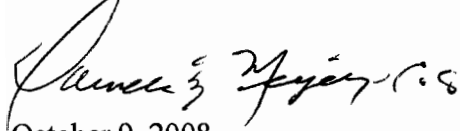
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 24th District Court, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information on pages v through xi and 21 through 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 24th District Court's basic financial statements. The accompanying supplementary information, such as the introductory section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script, appearing to read "Darrell & Meyering P.C.", is written over the printed name.

October 9, 2008

24th District Court - Allen Park and Melvindale, Michigan
Management's Discussion and Analysis (MD&A)
Year ended June 30, 2008

The management of the 24th District Court presents this narrative overview and analysis of the financial activities of the Court for the fiscal year ended June 30, 2008. The Court encourages readers to consider the information presented here in conjunction with the additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning budget for the expenditures for the Court for June 30, 2008 was \$3,172,852, which represented a slight increase of \$77,063 over the previous year.
- Through a joint effort between the administration and the A.F.S.C.M.E. and P.O.A.M. Union Members the collective bargaining agreements have been settled. We could not have achieved this without understanding the economic constraints the funding units are facing as well as the teamwork provided by the collective bargaining members and the union members as a whole. The union members received a 1 percent pay increase for this fiscal year.
- Both Judge Courtright and Judge Page are developing and continuing with aggressive collection policies. This upholds the integrity of the imposed court judgments and is also beneficial to the funding units. The court averaged and returned to the funding units \$25,000 more per month than the 2006 and 2007-fiscal year.
- Judge Courtright has entered into an agreement with Government Payment Services, Inc. The service provides a credit card processing service to government agencies free of charge. As a result, we can offer an additional payment option to the public that has aided in the court collecting money and processing payments conveniently.
- Through a cooperative venture with area colleges and law schools, Judge Page has implemented an internship program at no cost to the court. This combined effort between education and hands on training provides a basic knowledge and understanding of the district courts level and function in the judicial system while giving back to the communities it serves.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Court's basic financial statements. The Court's basic financial statements comprise three components: 1) court-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Court-wide financial statements. The Court-wide financial statements are designed to provide readers with a broad overview of the Court's finances, in a manner similar to a private-sector business.

The statement of Net Assets presents information on all of the Court's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Court is improving or deteriorating.

The Statement of Activities presents information showing how the Court's net assets changed during the most recent fiscal year. [All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.]

The Court-wide financial statements outline functions of the Court that are principally supported by revenues received from each community pursuant to the agreement between the district control units of Allen Park and Melvindale. The governmental activities of the Court include the fair and timely adjudication of all civil, criminal and traffic cases filed within the boundaries of its jurisdiction. The Court-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Court uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Court can be divided into two categories: governmental and fiduciary funds. Fiduciary funds include the Revenue Fund, Bond Fund and Payroll Fund.

The basic governmental and fiduciary fund financial statements can be found on pages 3 through 6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Court-wide and fund financial statements. The notes to the financial statements can be found on pages 7 through 19 of this report.

COURT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Court, assets exceeded liabilities by \$465,021 as of June 30, 2008.

The largest portion of the Court's net assets reflects its investment in capital assets (e.g., equipment and leasehold improvements), less any related debt used to acquire those assets that is still outstanding. The Court uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the Court's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Court's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. General and special item revenues remained about the same in total from the previous year.

Net Assets for the period ending June 30, 2008 and June 30, 2007

	<u>Net Assets</u> <u>June 30, 2008</u>	<u>Net Assets</u> <u>June 30, 2007</u>
Current Assets	\$ 370,335	\$ 545,650
Capital Assets	<u>237,410</u>	<u>260,416</u>
Total Assets	607,745	806,066
Current Liabilities	49,665	94,861
Noncurrent Liabilities	<u>90,983</u>	<u>80,678</u>
Total Liabilities	140,648	175,539
Net Assets:		
Investment in capital assets (net of debt)	225,948	240,689
Restricted	-	-
Unreserved Fund Balance	<u>241,149</u>	<u>389,838</u>
Total Net Assets	<u>467,097</u>	<u>630,527</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2008 and June 30, 2007.

Changes in the 24th District Court Net Assets:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues:		
Program Revenues – Special Revenue Funds	\$ 42,675	\$ 99,623
General Revenues:		
Intergovernmental	2,757,852	2,703,286
Probation	189,487	197,570
Investment Revenue	20,560	27,246
Miscellaneous	<u>56,690</u>	<u>13,699</u>
Total Revenues	<u>3,067,264</u>	<u>3,041,424</u>
 Expenses:		
Program Expenses-Special Revenue Funds	124,512	12,816
Court Services	3,027,566	3,095,593
Interest on Long-Term Debt	1,107	1,224
Depreciation	<u>77,509</u>	<u>80,672</u>
Total Expenses	<u>3,230,694</u>	<u>3,190,305</u>
 Change in Net Assets(decrease)	(163,430)	(148,881)
Beginning Net Assets	<u>630,527</u>	<u>779,408</u>
Ending Net Assets	<u><u>467,097</u></u>	<u><u>630,527</u></u>

Comments on Budget Comparison

- The Court's actual revenue received by the General Fund for the year ended June 30, 2008 was \$3,556 more than we had budgeted.
- The Court's total expenditures of the General Fund before other financing sources and uses for the year ended June 30, 2008 was \$3,035,035.
- General Fund budget expenditures compared to actual varied from line item to line item with the ending actual balance before other financing sources and uses being \$170,817 less than budget.

General Fund Revenue

The majority of revenue was derived from the budget allocations from the funding units supported by the collection of fines, costs and fees. Some miscellaneous revenue is received from interest income, copy fees and marriage fees.

Budget Allocation

45% of the Court's overall budget is devoted to salary and wages, and 33% covers the employee benefits. Acquisition and maintenance of the Court's fixed assets including building maintenance, computer services, utilities, building rental, insurance and capital outlay, accounts for 14% of the budget. Trial services including court appointed attorneys, interpreters, visiting judges, contract labor, and jury and witness fees total 3% of the budget. Consumables, including office supplies, postage, printing and publishing and other administrative expense, make up 3% of the budget. The balance of 2% is committed to miscellaneous items such as uniform cleaning, training, dues and subscriptions and the like.

Budgetary Implications

The budget is impacted by a number of factors that are outside the Court's control. The number and type of cases that are filed governs the workload and the revenues, but the Court has no power or authority, nor should it, to manipulate these figures to its advantage. The cost of medical benefits increased approximately 17%.

While caseload and revenue have slightly decreased in some areas and increased in others, the complexity of the operation of the Court has increased mostly because of various directives and continuous changes in the mandatory reporting requirements at the state and federal level, including compliance with a variety of state standards, fee disbursements, and the implementation of the Caseflow Management Guidelines. In addition, and as stated in the Court's previous Management Discussion and Analysis, there is the growing burden on the Courts to either maintain or decrease expenditures and staff, while at the same time, increase revenues, collections, compliance and efficient public service. As a result, the budgeted cost of providing these services to the public, complying with the mandated amendments and general day-to-day operations of the Court continues to rise to meet these ever growing demands and responsibilities. -

Questions regarding this report should be directed to John T. Courtright, Chief Judge (313) 928-0535 ext. 256 or by mail at 6515 Roosevelt Road, Allen Park, MI 48101.

Capital Assets

At the end of June 30, 2008, the Court had invested \$54,592 including a vehicle and computer equipment. This represents a net increase of \$42,709 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$77,509.

24th District Court Capital Assets:

	<u>Cost</u>	<u>Accumulated and Depreciated</u>	<u>2008 Net Book Value</u>	<u>2007 Net Book Value</u>
Computer Equipment	\$122,243	\$112,632	\$ 9,611	\$ 11,157
Furniture & Equipment	221,619	162,353	59,266	80,818
Leasehold Improvement	256,853	214,079	42,774	62,317
Leasehold Imp.-New Bldg	221,534	137,563	83,971	106,124
Vehicles	<u>82,070</u>	<u>40,282</u>	<u>41,788</u>	<u>-</u>
Total	<u>\$904,319</u>	<u>\$666,909</u>	<u>\$237,410</u>	<u>\$260,416</u>

Long Term Debt

The balance of \$96,825 represents compensated absences outstanding at June 30, 2008, which is an increase of \$6,609 from last year. (More detailed information about the Court's long-term liabilities is presented in Note 7 of the financial statements.)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Compensated Absences	<u>\$96,825</u>	<u>\$90,216</u>
Total	<u>\$96,825</u>	<u>\$90,216</u>

Capital Leases represented \$11,462 balance unpaid as of June 30, 2008 and \$19,727 as of June 30, 2007.

**24th District Court
Statement of Net Assets
June 30, 2008**

Assets	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 266,082
Receivables	
Other governmental units	76,607
Other receivable	8,867
Due from agency funds	1,164
Prepaid expenditures	17,615
Total current assets	<u>370,335</u>
Noncurrent assets	
Capital assets	904,319
Less accumulated depreciation	(666,909)
Total noncurrent assets	<u>237,410</u>
Total assets	<u><u>\$ 607,745</u></u>
Liabilities And Net Assets	
Current liabilities	
Accounts payable	\$ 7,941
Accrued wages	5,899
Due to agency funds	2,647
Deferred revenue	15,874
Compensated absences due within one year	9,682
Capital leases payable due within one year	7,622
Total current liabilities	<u>49,665</u>
Noncurrent liabilities	
Compensated absences due beyond one year	87,143
Capital leases payable due beyond one year	3,840
Total noncurrent liabilities	<u>90,983</u>
Total liabilities	<u><u>140,648</u></u>
Net assets:	
Invested in capital assets net of related debt	225,948
Unrestricted	241,149
Total net assets	<u><u>\$ 467,097</u></u>

The notes to the financial statements are an integral part of this statement.

**24th District Court
Statement of Activities
Year Ended June 30, 2008**

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental Activities Net (expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	
Governmental activities:				
Court services	\$ 3,105,075	\$ 42,675	\$ -	\$ (3,062,400)
Interest on long-term debt	1,107	-	-	(1,107)
Total governmental activities	<u>\$ 3,106,182</u>	<u>\$ 42,675</u>	<u>\$ -</u>	<u>(3,063,507)</u>
General revenues:				
Intergovernmental				2,757,852
Probation				189,487
Investment revenue				20,560
Miscellaneous				56,690
Special items:				
Payment to DCU's				(129,048)
Net gain/(loss) on disposal of assets				4,536
Total general revenues and special items				<u>2,900,077</u>
Change in net assets				(163,430)
Net assets, beginning of year				<u>630,527</u>
Net assets, end of year				<u>\$ 467,097</u>

The notes to the financial statements are an integral part of this statement.

**24th District Court
Balance Sheet
Governmental Funds
June 30, 2008**

	General Fund	Work Prog. Special Rev Fund	Total Governmental Funds
Assets:			
Cash	\$ 260,474	\$ 5,608	\$ 266,082
Receivables:			
Due from other governments	76,607	-	76,607
Other	8,867	-	8,867
Due from other funds	1,164	-	1,164
Prepaid expenditures	15,415	2,200	17,615
Total Assets	<u>\$ 362,527</u>	<u>\$ 7,808</u>	<u>\$ 370,335</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 7,941	-	\$ 7,941
Accrued wages	5,692	207	5,899
Deferred revenue	15,874	-	15,874
Due to other funds	1,947	700	2,647
Total liabilities	<u>31,454</u>	<u>907</u>	<u>32,361</u>

	General Fund	Work Prog. Special Rev Fund	Total Governmental Funds
Fund balances:			
Reserve, prepaid expenditures	15,415	2,200	17,615
Unreserved, undesignated	315,658	4,701	320,359
Total fund balances	<u>331,073</u>	<u>6,901</u>	<u>337,974</u>
Total liabilities and fund balances	<u>\$ 362,527</u>	<u>\$ 7,808</u>	<u>\$ 370,335</u>
Total governmental fund balances		\$ 337,974	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are financial resources and are not reported in the funds			
The cost of capital assets is		904,319	
Accumulated depreciation is		(666,909)	237,410
Long term liabilities are not due and payable in the current period and are not reported in the funds			
Compensated absences		(96,825)	
Capitalized lease obligation		(11,462)	(108,287)
Net assets of governmental activities		<u>\$</u>	<u>\$ 467,097</u>

The notes to the financial statements are an integral part of this statement.

24th District Court
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Work Prog. Special Rev Fund	Total Governmental Funds
Revenues:			
Intergovernmental	\$ 2,757,852	\$ -	\$ 2,757,852
Probation	189,487	-	189,487
Interest income	20,379	181	20,560
Program fees	-	42,675	42,675
Miscellaneous	56,690	-	56,690
Total revenues	<u>3,024,408</u>	<u>42,856</u>	<u>3,067,264</u>
Expenditures:			
Current:			
Wages and benefits	2,364,726	25,062	2,389,788
Operating expenses	625,576	5,593	631,169
Capital outlay	33,286	21,306	54,592
Debt payments:			
Principal	8,265	-	8,265
Interest	1,107	-	1,107
Total expenditures	<u>3,032,960</u>	<u>51,961</u>	<u>3,084,921</u>

	General Fund	Work Prog. Special Rev Fund	Total Governmental Funds
Excess (deficiency) of revenues over			
Expenditures	(8,552)	(9,105)	(17,657)
Other expenditures:			
Payment to DCU's	83,536	45,512	129,048
Total other expenditures	83,536	45,512	129,048
Other financing sources (uses):			
Transfer from other funds	15,000	-	15,000
Transfer to other funds	-	(15,000)	(15,000)
Proceeds from new debt	-	-	-
Proceeds from sale of fixed assets	4,625	-	4,625
Total other financing sources (uses):	19,625	(15,000)	4,625
Net change in fund balances	(72,463)	(69,617)	(142,080)
Fund balances			
Beginning of year	403,536	76,518	480,054
End of year	\$ 331,073	\$ 6,901	\$ 337,974

The notes to the financial statements are an integral part of this statement.

24th District Court
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances total governmental funds(decrease)	\$ (142,080)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. Losses and gains on disposals of assets are not used in governmental funds.

Depreciation expense	(77,509)
Capital outlay	54,592
Net gain/loss on disposal of assets	4,536

Proceeds from new debt and sale of fixed assets are revenue in governmental funds and not in the statement of activities.

Proceeds from sale of fixed assets	(4,625)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

8,265

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when the financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	90,216
Accrued compensated absences end of the year	(96,825)

Change in net assets of governmental activities(decrease)	<u>\$ (163,430)</u>
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**24th District Court
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008**

	Revenue Fund	Bond Fund	Payroll Fund	Total Agency Fund Activities
Assets:				
Cash	\$ 426,680	\$ 101,795	\$ 53,091	\$ 581,566
Due from other funds	1,652	296	-	1,948
Accounts receivable-other	750	2,660	-	3,410
Total assets	<u><u>\$ 429,082</u></u>	<u><u>\$ 104,751</u></u>	<u><u>\$ 53,091</u></u>	<u><u>\$ 586,924</u></u>
Liabilities & Fund Equity:				
Liabilities:				
Appearance bonds	\$ -	\$ 99,629	\$ -	\$ 99,629
Refund overpayment	-	1,837	-	1,837
Restitution payable	-	550	-	550
Other payable	-	-	53,055	53,055
Due to other funds	429	-	36	465
Due to:				-
State Treasurer	96,661	-	-	96,661
Allen Park	202,116	1,110	-	203,226
Melvindale	101,058	1,625	-	102,683
Wayne County	28,818	-	-	28,818
Total liabilities	<u><u>\$ 429,082</u></u>	<u><u>\$ 104,751</u></u>	<u><u>\$ 53,091</u></u>	<u><u>\$ 586,924</u></u>

The notes to the financial statements are an integral part of this statement.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 24th District Court conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the 24th District Court:

A. Reporting Entity

The 24th District Court was established in the State of Michigan. The State of Michigan is divided into judicial districts of the district Court each of which is an administrative unit subject to the superintending control of the Supreme Court. As required by generally accepted accounting principles (GASB Statement #14 and GASB Statement #39), the financial statements of the reporting entity includes those of the 24th District Court (the primary government) and no others. The 24th District Court has no component units. Therefore, this report does not include condensed financial statements as required when component units are apparent.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements of the 24th District Court report information on all of the nonfiduciary activities of the 24th District Court. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrate the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

timing of the related cash flows. Intergovernmental revenues are recognized as revenue in the year for which they are incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The 24th District Court reports the following major governmental funds:

The *Operating Fund (General Fund)* is the Court's primary operating fund. It accounts for all financial resources of the court, except those required to be accounted for in another fund.

The *Work Program Fund* accounts for all revenues and expenditures related to convicts who are assigned to the work program.

Additionally, the 24th District Court reports the following fund types:

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported in general revenue includes fees collected from the district court units, or intergovernmental units, and fees for miscellaneous services.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Court's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The Court reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the courts intend to hold the investment until maturity.

State statutes authorize the Court to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Court is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds). Any residual balances between the governmental activities are reported in the government-wide financial statements as "internal balances."

3. Prepaid Expenses

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid expenses are reported in government-wide and fund financial statements.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

4. Capital Assets

Capital assets, include property, plant, and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Court as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Computers	5 years
Furniture and Equipment	5 to 10 years
Leasehold Improvements	10 years
Vehicles	5 years

5. Compensated Absences (Vacation and Sick Leave)

Court employees are entitled to a certain number of vacation days based on their length of employment. Vacation time must be used in the current year and does not carry over to subsequent years. Court employees are entitled to 13 days of sick time per year. When employees separate from service with the Court, accumulated sick time is paid at 100% for the first 75 days of accumulated sick time and at 50% for any accumulated sick time over 75 days. In the government-wide financial statements, compensated absences are reported as liabilities in the applicable governmental activities statement of net assets. No expenditure is reported for those amounts. The Court's policy for new employees under the new contract, which went into effect during the prior fiscal year, allows for 9 sick days per year (.75 days per month). Upon separation from the court, accumulated sick pay is paid at 50% for accumulated sick pay up to 50 days.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

7. Net Assets and Fund Balance

Government-wide Financial Statements

When the Court incurs an expense for which it may use either restricted or unrestricted net assets, it uses restricted net assets first unless unrestricted net assets will have to be returned because they were not used. Net assets on the Statement of Net Assets include the following:

Investment in Capital Assets, Net of Related Debt – The component of net assets that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

Government Fund Financial Statements

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The General Fund reserve for restricted purposes is comprised of an amount that is solely attributable to a prepaid expense.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund and special revenue funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds, however a formal budget is not adopted.

The Court presents a budget to the two District Control Units, for their approval and ratification before the fiscal year begins on July 1.

As of October 1, 1996: (MCLA 600.8271) the governing body of each district funding unit shall annually appropriate, by line-item or lump-sum budget, funds for the operation of the district court.

A court that operates under a line-item budget shall not exceed a line-item appropriation or transfer funds between line items without the prior approval of the governing body. A court that operates under a lump-sum budget shall not exceed that budget without prior approval of the governing body. The Court uses a lump-sum budget.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting-under which purchase offers, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation-is utilized in the general fund. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits:

	<u>Fair / Value</u>
Demand Deposits	<u>\$ 847,648</u>
Total Deposits	<u>\$ 847,648</u>
Reconciliation To Statement of Net Assets:	
Current:	
Cash and Cash Equivalents	<u>\$ 847,648</u>

Interest Rate Risk

In accordance with its investment policy, the court will minimize interest rate risk, which is the risk that the market value of the demand deposits or sweep account will fall due to changes in market interest rates, by structuring the sweep account so when cash is needed for operations, the sweep account will transfer cash immediately as needed. These funds are not sold in the open market. The sweep account consists of money market funds.

Concentration of Credit Risk

The court minimizes credit risk by investing only in money market funds that are available for operations at any time.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

Custodial Credit Risk

The 24th District Court has \$862,978 on deposit with Comerica Bank. Of the amount on deposit, \$100,000 was covered by federal depository insurance. As of June 30, 2008, \$762,978 of the Court's bank balances were exposed to custodial credit risk because they were uninsured and uncollateralized. Custodial credit risk is the risk that, in the event of a bank failure, the Court's deposits might not be recovered. All deposits were in the State of Michigan.

Foreign Currency Risk

The court is not authorized to invest in investments, which have this type of risk.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the Court for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets				
Computer Equipment	\$ 122,123	\$ 2,356	\$ 2,236	\$ 122,243
Furniture & Equipment	222,996	-	1,377	221,619
Leasehold Improvement	256,853	-	-	256,853
Leasehold Improvement New Building	221,534	-	-	221,534
Vehicles	51,334	52,236	21,500	82,070
Subtotal	<u>874,840</u>	<u>54,592</u>	<u>25,113</u>	<u>904,319</u>
Less Accumulated Depreciation for				
Computer Equipment	110,966	3,902	2,236	112,632
Furniture & Equipment	142,178	21,463	1,288	162,353
Leasehold Improvement	194,536	19,543	-	214,079
Leasehold Improvement New Building	115,410	22,153	-	137,563
Vehicles	51,334	10,448	21,500	40,282
Subtotal	<u>614,424</u>	<u>77,509</u>	<u>25,024</u>	<u>666,909</u>
Capital Assets--Net of Depreciation	<u>\$ 260,416</u>	<u>\$ (22,917)</u>	<u>\$ 89</u>	<u>\$ 237,410</u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$77,509. The entire depreciation expense was allocated to the operations of the Court.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 5. SUMMARY OF INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amount of interfund receivables and payables at June 30, 2008 are as follows:

Governmental Funds and Agency Funds

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Revenue Fund</u>	<u>Payroll Fund</u>	<u>Total Interfund Receivable</u>
General	\$ -	\$ 296	\$ 1,652	\$ 36	\$ 1,984
Bond Fund	-	-	-	-	-
Work Program	700	-	-	-	700
Payroll Fund	36	-	-	-	36
Revenue	428	1	-	-	429
Total Interfund Payable	<u>\$ 1,164</u>	<u>\$ 297</u>	<u>\$ 1,652</u>	<u>\$ 36</u>	<u>\$ 3,149</u>

NOTE 6. LEASES

A. Operating Lease.

The 24th District Court subleases building and office facilities from the City of Allen Park who in turn has a lease with the Allen Park Building Authority for a term of 22 years extending from November 16, 1993. This is the term of the underlying bonds sold to construct the Court facility.

The lease agreement cannot exceed 50 years. Total cost of the sublease was \$190,000 for the year ended June 30, 2008. The future minimum lease payments for this sublease is as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 190,000
2010	190,000
2011	190,000
2012	190,000
2013	190,000
2014 – 2015	380,000
Total	<u>\$ 1,330,000</u>

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

B. Capital Lease

The 24th District Court's outstanding lease agreement was from the acquisition of a copy machine at the cost of \$9,366. The lease qualifies as a capital lease, for which the lessor, Kansas State Bank, has a security interest in the acquired equipment.

Year Ending <u>June 30</u>	Government Activities <u>Capital Lease*</u>	
	<u>Principal</u>	<u>Interest</u>
2009	<u>1,170</u>	<u>36</u>
	<u>\$ 1,170</u>	<u>\$ 36</u>
Interest Rate	10.43%	
Cost of Assets	\$ 9,366	
Accumulated Depreciation	\$ 4,293	

*For the Capital Lease, the total of principal and interest equals the required minimum payments for periods shown, and total principal equals the net present value of the lease.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

The 24th District Court also has a lease agreement from the acquisition of a postage machine. This lease also qualifies as a capital lease, for which the leaser, Pitney Bower Credit Corporation, has a security interest in the acquired equipment.

Capital Lease

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	4,895	289
2010	<u>2,544</u>	<u>48</u>
	<u>\$ 7,439</u>	<u>\$ 337</u>
Interest Rate	5.137%	
Cost of Assets	\$ 22,731	
Accumulated Depreciation	\$ 16,291	

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

The 24th District Court's entered into an additional lease agreement with Pitney Bowes to upgrade their existing postage machine. This lease also qualifies as a capital lease, for which the lessor, Pitney Bowes Global Financial Services, has a security interest in the acquired equipment.

Capital Lease

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2009	1,577	199
2010	<u>1,276</u>	<u>56</u>
	<u>\$ 2,853</u>	<u>\$ 255</u>
Interest Rate	8.74%	
Cost of Assets	\$ 4,300	
Accumulated Depreciation	\$ 1,003	

NOTE 7. LONG-TERM DEBT

The following is a summary of long-term obligations of the Court for the year ended June 30, 2008:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Capitalized Lease-Copier	\$ 3,336	\$ -	\$ 2,166	\$ 1,170	\$ 1,170
Capitalized Lease-Post. Mach.	12,091	-	4,652	7,439	4,895
Capitalized Lease-Upgrade	4,300	-	1,447	2,853	1,557
Other Liabilities:					
Compensated Absences	<u>90,216</u>	<u>17,852</u>	<u>11,243</u>	<u>96,825</u>	<u>9,682</u>
Governmental activities					
Long-term Liabilities	<u>\$ 109,943</u>	<u>\$ 17,852</u>	<u>\$ 19,508</u>	<u>\$ 108,287</u>	<u>\$ 17,304</u>

Interest expense for the year was \$1,107.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 8. FUNDING OF DISTRICT CONTROL UNITS

The Court on an annual basis and prior to the beginning of the fiscal year presents a budget to the District Control Units. Upon their ratification they will pay to the Court on a monthly basis 1/12th of the cost of the annual budget as follows:

2/3 submitted by City of Allen Park
1/3 submitted by City of Melvindale

All revenues received by the Court through fines, fees and judgments are returned to them monthly as follows:

2/3 City of Allen Park
1/3 City of Melvindale

NOTE 9. EMPLOYEE RETIREMENT SYSTEM-DEFINED BENEFIT PLAN

Plan Description - The Court contributes to the City of Allen Park Employees Retirement System, a multi-employer defined benefit pension plan administered by their board of trustees. The plan provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy - The contribution requirements of plan members and the Court are established and may be amended by the board of trustees. Plan members are required to contribute 6% of their annual covered salary. The Court is required to contribute at an actuarially determined rate; the current rate is 32.71% of covered payroll, up from 27.66% for the fiscal year ended June 30, 2008. The Court contributions for the years ended June 30, 2008, 2007 and 2006 were \$299,838, \$271,681, and \$207,579.

The Court is not responsible for the payment of retirement benefits which is the responsibility of the City of Allen Park. A report of the plan can be obtained from the City of Allen Park.

NOTE 10. DEFERRED COMPENSATION PLAN

The Court offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, as described in IRC Section 457 (g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matter. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Court's financial statements.

24TH DISTRICT COURT
Notes to Financial Statements
For the Year Ended June 30, 2008

NOTE 11. EMPLOYEE DEFINED CONTRIBUTION PLAN

Effective April 1, 2005, a Defined Contribution Plan was established for all new hires, as defined in Article IV of the employee handbook, which will be funded through MERS. The contribution rate will be 7% for the Employer and 5% for the Employees. The amount contributed for the year ended June 30, 2008 was \$4,686 (Employer) and \$3,347 (Employee).

NOTE 12. RETIREE HEALTH ACCOUNT

A Health Retirement Savings Account will be provided by the employer to replace retiree health, optical, and dental insurance for any new employee hired after April 1, 2005.

These accounts may be used by the employee, their spouse, or eligible dependents to help offset the cost of health care after the employee retires or separates from service. The employee does not pay taxes on the contributions, investment earnings, or distributions for medical reimbursements. The administrator for the plan is MERS.

The Court at its sole discretion can determine which plan will be provided and the same plan will be provided to all non-union employees. A sum of forty (\$40.00) dollars a month will be contributed by the Court, which will be provided to the employees accounts. After death, any remaining account balance may be used by the employee's surviving spouse or surviving dependents for the reimbursement of qualified medical expenses.

Vesting will be ten (10) years under this plan.

Employees will be allowed, upon retirement, to buy into the Court's healthcare group plan at their own cost.

NOTE 13. RISK MANAGEMENT

The Court is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Court continues to carry commercial insurance for other risks of loss, including employee health, accident and worker's compensation insurance.

In reference to unemployment insurance, the Court reimburses the Michigan Employment Security Agency (MESA) for the actual amount of unemployment benefits disbursed by the MESA on behalf of the Court.

REQUIRED SUPPLEMENTARY INFORMATION

24th District Court
Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual-General Fund
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Fav. (Unfavorable)</u>
Revenues				
Court - participating city:				
Allen Park	\$ 1,838,568	\$ 1,838,568	\$ 1,838,568	\$ -
Melvindale	919,284	919,284	919,284	-
Court - other revenue:				
Miscellaneous - other	43,000	43,000	56,690	13,690
Interest income	20,000	20,000	20,379	379
Probation	200,000	200,000	189,487	(10,513)
Total revenues	<u>3,020,852</u>	<u>3,020,852</u>	<u>3,024,408</u>	<u>3,556</u>
Court expenditures				
Salaries	1,423,750	1,437,750	1,309,456	128,294
Overtime	5,000	5,000	4,982	18
Longevity	8,750	8,750	9,605	(855)
Social security	110,750	110,750	94,915	15,835
Hospitalization	565,600	565,600	577,002	(11,402)
Insurances:				
Life	8,000	8,000	8,643	(643)
Optical	4,260	4,260	3,597	663
Dental	47,210	47,210	42,477	4,733
Retirement	279,958	298,958	304,524	(5,566)
Worker's compensation insurance	10,200	10,200	9,262	938
Unemployment compensation	777	777	263	514
Office supplies	48,500	48,500	44,133	4,367
Postage	26,000	26,000	25,926	74
Uniform	2,500	2,500	2,063	437
Auditor	17,000	17,000	12,580	4,420
Computer services	62,000	62,000	48,831	13,169
Administrative	3,500	3,500	1,917	1,583
Contract labor	18,000	18,000	21,253	(3,253)
Legal fees	60,000	60,000	69,770	(9,770)
Witness/Jury fees	8,000	8,000	4,493	3,507
Service charges	18,000	18,000	22,105	(4,105)
Travel/Training	4,000	4,000	2,643	1,357
Printing & Publishing	15,000	15,000	14,848	152
Insurance, liability	42,000	42,000	26,914	15,086
Equipment maintenance	35,000	35,000	30,268	4,732
Building maintenance	45,000	45,000	44,910	90
Building rental	190,000	190,000	190,000	-
Dues & Subscriptions	16,000	16,000	9,609	6,391
Building utilities	45,000	45,000	42,069	2,931
Compensated absences	10,000	10,000	11,243	(1,243)

**Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual-General Fund
For the Fiscal Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Fav. (Unfavorable)</u>
Court expenditures (concluded):				
Capital outlay:				
Leasehold improvements	2,000	2,000	-	2,000
Vehicle purchase	28,000	28,000	30,930	(2,930)
Office equipment	2,000	2,000	1,150	850
Computer equipment	3,500	3,500	1,206	2,294
Debt principal	6,818	6,818	8,265	(1,447)
Debt interest	779	779	1,107	(328)
Total expenditures	<u>3,172,852</u>	<u>3,205,852</u>	<u>3,032,959</u>	<u>139,893</u>
Excess of revenue over (under) expenditures before other expenditures	<u>(152,000)</u>	<u>(185,000)</u>	<u>(8,551)</u>	<u>176,449</u>
Other expenditures:				
Payment to DCU's	-	-	83,536	(83,536)
Total other expenditures	<u>-</u>	<u>-</u>	<u>83,536</u>	<u>(83,536)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	4,625	4,625
Transfer from work program	15,000	15,000	15,000	-
Total other financing sources (uses)	<u>15,000</u>	<u>15,000</u>	<u>19,625</u>	<u>4,625</u>
Excess of revenue and financing other sources				
Over (under) expenditures, other expenditures and other financing uses	(137,000)	(170,000)	(72,462)	97,538
Fund balance, beginning of year	403,535	403,535	403,535	-
Fund balance, end of year	<u>\$ 266,535</u>	<u>\$ 233,535</u>	<u>\$ 331,073</u>	<u>\$ 97,538</u>

**24th District Court
Required Supplemental Information
Budgetary Comparison Schedule
Budget and Actual - Work Program Fund
For the Year Ended June 30, 2008**

	Work Program Fund		
	Original & Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues			
Program fees	\$ 57,500	\$ 42,675	\$ (14,825)
Surplus	31,006	-	(31,006)
Interest income	200	181	(19)
Total revenues	<u>88,706</u>	<u>42,856</u>	<u>(45,850)</u>
Expenditures			
Wages & social security	39,850	25,062	14,788
Operating supplies	5,000	2,038	2,962
Equipment maintenance	3,300	-	3,300
Miscellaneous	500	-	500
Auditor	700	700	-
Training	-	-	-
Volunteer liability insurance	2,050	2,102	(52)
Uniforms	1,000	753	247
Capital outlay: debt payments	21,306	21,306	-
Total expenditures	<u>73,706</u>	<u>51,961</u>	<u>21,745</u>
Excess of revenues over expenditures	<u>15,000</u>	<u>(9,105)</u>	<u>(24,105)</u>
Other financing sources (uses):			
Payment to DCU	-	(45,512)	(45,512)
Transfer to general fund	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>(60,512)</u>	<u>(45,512)</u>
Excess of revenues over expenditures and other financing sources (uses)	<u>-</u>	<u>(69,617)</u>	<u>(69,617)</u>
Fund balance, beginning of year	76,518	76,518	-
Fund balance, end of year	<u>\$ 76,518</u>	<u>\$ 6,901</u>	<u>\$ (69,617)</u>